

13 July 2007

The Company Announcements Office  
Australian Stock Exchange Limited

## **Via E Lodgement**

### **INDEPENDENT GEOLOGIST CONFIRMS INDICATED MINERAL RESOURCE OF 300 MILLION TONNES SATISFYING CONDITION FOR 70% SALE OF THE PROJECT**

#### **KEY POINTS**

- Independent Geologist, RSG Global Consulting Pty Ltd ("RSG"), has now completed its estimate of the Mineral Resources within the Central Target Area at the Cape Lambert iron ore project (the "Project");
- RSG has confirmed a minimum Indicated Mineral Resource of 300 million tonnes;
- The sale condition precedent requiring Cape Lambert to define a minimum Indicated Mineral Resource of 300 million tonnes has now been satisfied; and
- The final condition precedent to be satisfied by Cape Lambert for the sale of 70% of the Project is shareholder approval and a shareholders meeting is scheduled for Monday, 16 July 2007 to consider this matter.

#### **SUMMARY**

Iron ore exploration and development company, Cape Lambert Iron Ore Limited (the "Company") (ASX code: **CFE**, AIM: **CLIO**) is pleased to announce the outcome of RSG's independent verification of a minimum Indicated Mineral Resource of 300 million tonnes at its 100% owned Cape Lambert iron ore project, located in the Pilbara region, Western Australia.

On 27 March 2007, the Company announced it had entered into a sale agreement with Mr Ding Ligu to sell 70% of the Project for approximately AUD\$250 million in cash. The sale agreement requires the satisfaction of several conditions precedent (refer ASX release dated 27 March 2007) including verification by an independent geologist of a minimum Indicated Mineral Resource of 300 million tonnes.

As advised in the Company's Quarterly Report, released on 30 April 2007, RSG was appointed as the independent geologist.

RSG has now completed its estimate and advised the Company of its findings. A full copy of RSG's summary report is attached to this announcement.

RSG has advised that the Indicated component of its Mineral Resource estimate exceeds the minimum requirement of 300 million tonnes (refer attached report).

Yours faithfully  
CAPE LAMBERT IRON ORE LIMITED

**Tony Sage**  
Executive Director

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11 July 2007

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Attention: Mr Joe Ariti

We're merging with



A Coffey International  
Limited company

Dear Sir

**Re: CAPE LAMBERT IRON ORE PROJECT**

The Mineral Resource for the Cape Lambert Iron Ore Project for the Central Target Area is complete. The Mineral Resource Statement as at 11 July, 2007 is tabulated overleaf.

The information in the report to which this statement is attached that relates to the Mineral Resource is based on information compiled by Alex Virisheff and Iain Macfarlane, who are Members of The Australasian Institute of Mining and Metallurgy. Alex Virisheff and Iain Macfarlane are employed by RSG Global Consulting Ltd.

Alex Virisheff and Iain Macfarlane have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Reserves". Alex Virisheff and Iain Macfarlane consent to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Alex Virisheff  
Principal Consultant – Resources  
RSG Global

Iain Macfarlane  
Senior Consultant – Resources  
RSG Global

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RSG Global Consulting Pty Ltd (ACN 121 184 290) trading as RSG Global (ABN 14 121 184 290)

P E R T H • J O H A N N E S B U R G • A C C R A



<b>Cape Lambert Iron Ore Project</b> <b>Mineral Resource Central Target Area – July 2007</b> <b>Whole Rock Grade Estimates Derived by Ordinary Kriging</b> <b>Resource Classification Based on JORC Code Guidelines</b> <b>Reported within Fresh BIF Horizons at a Whole Rock Lower Grade Cutoff of 20%Fe</b>												
Resource Classification	Material Type	Tonnes (Mt)	Whole Rock Grades (%)									
			Fe	SiO <sub>2</sub>	Al <sub>2</sub> O <sub>3</sub>	P	S	LOI	K <sub>2</sub> O	MgO	TiO <sub>2</sub>	CaO
Indicated	BIF (Fresh)	353	31.6	39.64	1.81	0.024	0.12	7.28	0.14	2.68	0.12	2.80
Inferred		440	31.9	40.02	1.95	0.025	0.11	5.69	0.20	2.75	0.14	2.72
Total		793	31.7	39.85	1.89	0.025	0.12	6.40	0.17	2.72	0.13	2.75

- Notes:
- At the Cape Lambert Iron Ore Project, iron mineralisation is hosted by banded iron formations (BIF), lying below a thin layer of detrital material, in which alternating iron-rich and chert bands occur. Mineralisation consists of predominantly magnetite in the unoxidised portion of the BIF units. The BIFs, shales, chert and basalts are gently folded. The entire stratigraphic sequence appears to be disrupted by cross cutting faults and by thrusts subparallel to bedding. Within the project area, 9km in length by 2.5km wide, BIF outcrops are recognised in the scattered hills.
  - Within the Central Target Area (CTA) currently being evaluated, there is drill coverage for the whole rock grades (in total 10 grade items) on a 100m by 200m or 200m by 200m grid for approximately 30% of the CTA area orientated north-south (local grid). The remainder of the CTA has drilling coverage on a 100 – 200m by 300 - 400m grid. Some 150 drillholes intersect the targeted fresh BIF. Three of these were diamond drillholes, the rest being reverse circulation (RC) drilling. The drilling was in part undertaken by the previous lease holders, Robe River Mining Co Pty Ltd, the rest by Cape Lambert Iron Ore Limited (CLIO).
  - Statistical analyses on samples and 4m composites were completed. Variography and search neighbourhood analysis were also conducted as input into the grade estimation.
  - The grade estimation method used was Ordinary Kriging.
  - An average dry bulk density (3.0t/m<sup>3</sup>) for the fresh BIF has been assumed. Although possibly conservative, no testwork has been carried out to ascertain true density values.
  - Resource classification was developed from the confidence levels of key criteria including drilling methods, geological understanding and interpretation, sampling, data density and location, grade estimation and quality. The requirements for infill drilling, together with uncertainties in geological interpretation and mineralisation envelopes in the more structurally complex zones, sampling carried out below the water table without checks from diamond drilling, no confirming density data and incomplete independent quality control have direct impact on the assignment of resource categories. CLIO are addressing these issues in their current exploration phase.
  - Davis Tube testwork has been undertaken to determine the percent weight recovery (DTR) of magnetic material (concentrate). The concentrate has then been assayed to establish its grade characteristics.
  - Samples only obtained from the Cape Lambert phase of RC drilling were composited to a nominal 4m interval and submitted for Davis Tube testwork. Samples were predominantly taken from the unoxidised (fresh) portion of the selected drillholes. The Davis Tube results from Robe drillholes were omitted as they were determined for entire BIF intersections (larger than the nominal 4m composites).
  - As the concentrate grades are representative of the recovered portion only, the estimation requires the use of service variables to ensure the blocks are appropriately weighted. Service variables are calculated as DTR multiplied the iron grade, DTR multiplied silica, DTR multiplied alumina and so on for the remaining grade items (11 in all).
  - Statistical analyses were also completed on Davis Tube testwork samples, subsequent 4m composites and service variables. Variography was undertaken on DTR, concentrate grades and service variables, and search neighbourhood analysis was also conducted as input into grade estimation.
  - Ordinary Kriging was used to obtain estimates of DTR and service variables. The concentrate grades (Fe, SiO<sub>2</sub>, Al<sub>2</sub>O<sub>3</sub>, P, S, LOI, K<sub>2</sub>O, MgO, Na<sub>2</sub>O, TiO<sub>2</sub> and CaO) were then back calculated from these estimates.
  - As the Davis Tube testwork results are at a lower density than the whole rock data, the confidence level in the DTR and concentrate grade estimates is significantly reduced and, as such, these estimates are considered to be only indicative at this stage. They indicate that the DTR is likely to be in the order of 39% and the concentrate grade approximately 60% Fe, 12.6% SiO<sub>2</sub>, 0.7% Al<sub>2</sub>O<sub>3</sub>, 0.01% P, 0.1% S, -0.6% LOI, 0.1% K<sub>2</sub>O, 1.4% MgO, 0.04% Na<sub>2</sub>O, 0.1% TiO<sub>2</sub> and 0.95% CaO.